

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

**Mid-America Energy, Inc.
Gary M. Milby
Sy Shaiken
Black Gold #6, LLP**

Enforcement Case No. 07-5495

Respondents
_____ /

Issued and entered
on August 20, 2008
by Stephen R. Hilker
Chief Deputy Commissioner

FINAL ORDER

1. On June 17, 2008, the Commissioner issued an Order to Cease and Desist hereafter ("Order") pursuant to Section 408 of the Michigan Uniform Securities Act, hereafter ("MUSA"), MCL 451.808. Said Order advised Respondents that they may contest the Order by requesting a hearing within 15 days after service of the Order.
2. On June 18, 2008, the Office of Financial and Insurance Regulation, hereafter ("OFIR"), mailed the Order to Respondent Mid-America Energy, Inc. via certified mail (7006 0100 0006 4497 1218) to the last known address of: 129 Haven Street, Unit A, Hendersonville, TN 37075.
3. On June 18, 2008, OFIR mailed the Order to Respondent Gary M. Milby via certified mail (7006 0100 0006 4497 1225) to the last known address of: 493 Pleasant Run Church, Campbellsville, KY 42718.
4. On June 18, 2008, OFIR mailed the Order to Respondent Sy Shaiken via certified mail (7006 0100 0006 4497 1232) to the last known address of: 105 Millard Drive, Hendersonville, TN 37075.
5. On June 18, 2008, OFIR mailed the Order to Respondent Black Gold #6, LLP via certified mail (7006 0100 0006 4497 1249) to the last known address of: 321 Victor Reitor Parkway, Portland, TN 37148.

6. On July 2, 2008, the United States Postal Service returned the Order for Respondent Mid-America Energy, Inc. marked "Not Deliverable as Addressed, Unable to Forward."

7. On June 24, 2008, the United States Postal Service delivered the Order for Respondent Gary M. Milby.

8. On June 30, 2008, the United States Postal Service returned the Order for Respondent Sy Shaiken marked "Attempted-Not Known."

9. On July 14, 2008, the United States Postal Service returned the Order for Respondent Black Gold #6, LLP marked "Return to Sender, Unclaimed, Unable to Forward."

10. A copy of the Order dated June 17, 2008 and this Final Order was served on the Administrator, specifically Commissioner Ken Ross. Service of the Order upon the Administrator is made pursuant to Section 414 of the MUSA, MCL 451.814

11. Respondents have failed to request a hearing within 15 days after service on them of the Order, as provided in Section 408 of the MUSA, MCL 451.808, therefore the Order is **FINAL**.

By: Stephen R. Hilker
Stephen R. Hilker
Chief Deputy Commissioner
Office of Financial and Insurance Regulation

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Enforcement Case No. 07-5495

Respondents

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Issued and entered
on June 17, 2008
by Peggy L. Bryson
Acting Chief Deputy Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Regulation of the Michigan Department of Labor and Economic Growth, pursuant to the Michigan Administrative Procedures Act of 1969, MCL 24.201 *et. seq.*, (hereafter "MAPA") and the Michigan Uniform Securities Act, as amended, MCL 451.501 *et. seq.*, (hereafter "Act"), and the rules promulgated under the Act, say that:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The staff of the Office of Financial and Insurance Regulation (hereafter "OFIR") alleges that the following facts are true and correct:

1. OFIR is responsible for the licensing and regulation of securities and enforcement of the provisions of the Act. Effective April 6, 2008, the Office of Financial and Insurance Services was renamed the Office of Financial and Insurance Regulation and is hereafter referred to as ("OFIR") in this Order.
2. Mid-America Energy, Inc. (hereafter Mid-America") is a Nevada corporation, whose resident agent address is: Corporate Trust Company of Nevada, 6100 Neil Road, Suite 500, Reno, Nevada 89511, and has a last known business address of: 129 Haven Street, Unit A, Hendersonville, Tennessee 37075.

3. Mid-America operated a website at www.mid-americaoilandgas.com. Mid-America identified itself on this website as a company engaged in developmental drilling in several locations in Kentucky.
4. Gary M. Milby (hereafter "Milby") is an individual whose last known residential address is: 493 Pleasant Run Church, Campbellsville, Kentucky 42718, and last known business address is: 129 Haven Street, Unit A, Hendersonville, Tennessee 37075.
5. At all pertinent times, Milby was the President, Secretary and Treasurer of Mid-America.
6. From on or about November 2005, Mid-America and Milby have been and are directly or indirectly offering securities in the form of investment contracts in oil and gas opportunities through general solicitations on their website and by "cold calling" people.
7. In September 2007, OFIR received information that Mid-America and Milby were engaged in the activity of offering and selling unregistered or non-exempt securities.
8. In December 2005, Sy Shaiken, a sales representative of Mid-America called a Michigan resident for the purpose of securing investors to purchase interests in oil wells. Mr. Shaiken stated that each interest or unit represented a small percentage of three oil wells, adding that each one would be productive and that if one was not, the company would drill a new well at no extra cost to the investor, guaranteed.
9. This telephone call constitutes "cold calling" or general solicitation.
10. At all pertinent times, Sy Shaiken was not registered as an agent or investment adviser in the State of Michigan. Shaiken's last known address is: 105 Millard Drive, Hendersonville, Tennessee 37075.
11. In January 2006, after personally meeting with Milby and touring the alleged drilling fields in Kentucky and based on the oral and written representations received from Shaiken, Milby, and Mid-America, the Michigan resident invested \$108,000.00 for 4½ units (at \$24,000.00 each) in Mid-America's Black Gold Oil #6, LLP.
12. On or about April 26, 2006, Black Gold Oil #6, LLP filed a Notice of Sale of Securities Pursuant to Regulation D with the State of Michigan.
13. At all pertinent times, Mid-America was the Promoter and General Manager and Milby was the President of the General Manager for Black Gold Oil #6, LLP.
14. In February 2006, the Michigan resident received a statement along with a payment check for \$883.11, the only return on his investment he ever received.

15. The Michigan resident attempted to contact Milby, but his phone calls went unreturned. He had extensive dialog with Milby via email and received various excuses as to the non-return on his investment.
16. Section 401(d) of the Act, MCL 451.801(d) provides that a "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his or her own account.
17. Respondent Mid-America knew or had reason to know that Section 201 of the Act, MCL 451.601, provides that a person shall not transact business in this State as a broker-dealer unless registered under the Act.
18. Respondent Mid-America engaged in the business of effecting transactions in securities for the account of others or for his own account and was not registered as a broker-dealer with the State of Michigan.
19. Section 401(c) of the Act, MCL 451.801(c), provides that an "Agent" means any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.
20. Respondent Milby and Shaiken further knew or had reason to know Section 201 of the Act, MCL 451.601, provides that a person shall not transact business in this State as an agent unless registered under the Act.
21. Respondent Milby and Shaiken effected or attempted to effect purchases or sales of limited liability partnership interests issued by Respondent Mid-America and Black Gold #6, LLP. Respondent Milby and Shaiken were not registered as agents with the State of Michigan.
22. Section 401(z) of the Michigan Uniform Securities Act, includes as a "security" any "contractual or quasi contractual arrangement pursuant to which:
 - a. A person furnished capital, other than services, to an issuer;
 - b. A portion of that capital is subjected to the risks of the issuer's enterprise;
 - c. The furnishing of that capital is induced by the representations of an issuer, promoter, or their affiliates which give rise to a reasonable understanding that a valuable tangible benefit will accrue to the person furnishing the capital as a result of the operation of the enterprise;
 - d. The person furnishing the capital does not intend to be actively involved in the management of the enterprise in a meaningful way; and
 - e. A promoter or its affiliates anticipate, at the time the capital is furnished, that financial gain may be realized as a result thereof."
23. Respondents further knew or had reason to know that Section 301 of the Act, MCL 451.701, makes it unlawful for a person to offer or sell any security in the State of

Michigan unless the security is: 1) registered under the Act, 2) an exempt security or transaction under Section 402 of the Act, or 3) a federally covered security.

24. Respondents further knew or had reason to know that Section 401(z) of the Act, MCL 451.801(z), defines a "security" which includes investment contracts such as those issued by Mid-America and Black Gold #6, LLP.
25. Respondents further knew or had reason to know that Section 402(b) of the Act, MCL 451.802(b), provides that transactions are exempted from Sections 301 and 403 of the Act, if the securities are not offered or sold by means of any general advertising or general solicitation, except as approved by the administrator.
26. Respondents used a publicly accessible website and made cold calls to Michigan residents, which are both general solicitations to offer and sell their securities. The Administrator did not approve Respondents' general solicitations.
27. Respondents, by utilizing general solicitations, can no longer claim an exemption under Section 402(b) of the Act, MCL 451.802(b).
28. Therefore, the securities offered and sold by Respondents are not registered or exempt from registration under the Act.
29. Respondents further knew or had reason to know that Section 402(c) of the Act, MCL 451.802(c), provides that in any proceeding under this act, the burden of proving an exemption or an exception from a definition is upon the person claiming it.
30. Respondents further knew or had reason to know that Section 101(1), (2), and (3) of the Act, MCL 451.501(1), (2), and (3) makes it unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to employ any device, scheme, or artifice to fraud, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
31. Respondents, in connection with the offer, sale, or purchase of their oil and oil limited partnerships, employed a website and a scheme which operates as a fraud or deceit upon Michigan residents.
32. Respondents, in connection with the offer, sale, or purchase of any security, made untrue statement of a material fact and to omit to state a material fact necessary to make the statements made not misleading such as: failing to mention Milby's disciplinary history or his financial background, overstating Mid-America's prior successful oil production, and failing to disclose the fact that Mid-America, Milby and Shaiken were not registered to offer or sell securities in the State of Michigan or that the securities they were offering and selling were not registered or exempt from registration.

33. On or about December 6, 2006, the State of Pennsylvania issued a Summary Order to Cease and Desist against Respondent Mid-America and Milby.
34. On or about May 5, 2006, the State of California issued a Desist and Refrain Order against Respondent Mid-America and Milby.
35. On or about January 16, 2007, the State of Arizona issued an Order to Cease and Desist, Order of Restitution and Order of Administrative Penalties against Respondent Mid-America and Milby
36. On or about May 8, 2007, the State of Montana issued a Temporary Order to Cease and Desist and a Notice of Proposed Agency Disciplinary Action and Opportunity for Hearing against Respondent Mid-America and Milby.
37. On or about September 13, 2007, the Securities and Exchange Commission filed a formal Complaint against Respondent Mid-America and Milby.
38. Respondent Mid-American and Milby further knew or had reason to know that Section 407(a)(2) of the Act, MCL 451.807(a)(2), allows the administrator in its discretion to require or permit any person to file a statement in writing, under oath or otherwise as the administrator determines, as to all the facts and circumstances concerning the matter to be investigated.
39. By certified letter, dated July 16, 2007 and August 13, 2007, the Administrator required Respondent Mid-America and Milby to file with OFIR a written statement as to the facts and circumstances concerning their activities within the State of Michigan. The letters were received on July 23, 2007 and August 20, 2007. Respondents failed to provide a statement in writing as required by the Administrator.
40. Respondents' actions in connection with their offer, sale, or purchase of securities were an act, practice, or course of business which operated as a fraud or deceit upon the investors due to the facts that Respondents used a website to solicit and defraud investors, operated in an unregistered capacity, and offered and sold unregistered and non-exempt securities in the State of Michigan.

WHEREAS, Section 408 of the Act, MCL 451.808, states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Regulation) that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the act or practices and to enforce compliance with this act or any rule or order hereunder; and

WHEREAS, Respondents offered and sold securities, i.e., oil and limited partnerships to Michigan residents; and

WHEREAS, a limited partnership, such those issued by Respondents, meets all of the requirements of a security as defined in Section 401(z) of the Act, MCL 451.801(z); and

WHEREAS, Section 301 of the Act, MCL 451.701, provides that it is unlawful for any person to offer or sell any security in Michigan unless the security is: registered under the Act, the security or transaction is exempt under Section 402 of the Act, MCL 451.802, or the security is a federally covered security; and

WHEREAS, the securities offered and sold by Respondents do not meet any of the requirements listed in Section 301 of the Act, MCL 500.701; and

WHEREAS, Respondents therefore offered and sold securities in the State of Michigan in violation of Section 301 of the Act, MCL 451.701; and

WHEREAS, Section 201 of the Act, MCL 451.601, provides that a person shall not transact business in this State as an investment adviser, agent, or broker dealer unless registered under the Act; and

WHEREAS, Respondents transacted business in the State of Michigan but are not registered under the Act to act as an agent, or broker dealer; and

WHEREAS, Section 101(1) of the Act, MCL 451.501(1), provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to employ any device, scheme, or artifice to defraud; and

WHEREAS, in connection with the offer, sale, or purchase of any security, Respondents employed a device, scheme, or artifice to defraud; and

WHEREAS, Section 101(2) of the Act, MCL 451.501(2), provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; and

WHEREAS, in connection with the offer, sale, or purchase of any security, Respondents made untrue statements of a material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; and

WHEREAS, Section 101(3) of the Act, MCL 451.501(3), provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; and

WHEREAS, in connection with the offer, sale or purchase of any security, Respondents engaged in acts, practices, or a course of business which operated as a fraud or deceit upon the investors; and

WHEREAS, the Administrator finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

WHEREAS, based on the foregoing, OFIR Staff recommends that the Administrator find that Respondents have engaged in acts and practices that violate Section 101, 201, and 301 of the Act, MCL 451.501, 451.601, and 451.701, and Rules promulgated under the Act.

ORDER

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808 and Section 409 of the Act, MCL 451.809, that:

1. Respondents shall immediately **CEASE AND DESIST** from violating Section 101, 201, 301 of the Act, MCL 451.501, 451.601, and 451.701.
2. Any exemptions under Section 402(a)(1), (6), (7), (8), (9), (10), and 402(b) of the Act, MCL 451.802(a)(1), (6), (7), (8), (9), (10), and 451.802(b) for which Respondents might qualify, are summarily denied or revoked.
3. Respondent Milby shall pay to the State of Michigan a civil fine of One Thousand Dollars (\$1,000.00) by the due date listed on the Invoice.

Failure to comply with this ORDER will subject you to one or more of the following:

- a. A civil penalty of not more than \$1,000 for each violation of this act, but not to exceed a total of \$10,000.
- b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

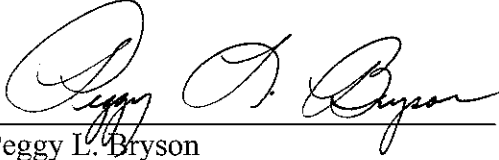
You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Regulation, Attention: Hearings Coordinator, Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.

If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.

It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Regulation, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH

By: 
Peggy L. Bryson
Acting Chief Deputy Commissioner